



INTERNAL AUDIT REPORT SHERIFF'S CANTEEN FUND & JAIL INMATE FUND

December 20, 2004

Roanoke City Council Audit Committee
Roanoke, Virginia

We have audited the accompanying Comparative Statement of Changes in Cash Balance and the Comparative Operating Statement for the Canteen fund of the City of Roanoke Sheriff's Office, and the related financial records for the jail inmate fund for the 12 month periods ended June 30, 2003 and June 30, 2004. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 (see attachment), these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

BACKGROUND

The Roanoke City Sheriff's Office contracts with the Swanson Services Corporation (Swanson) to sell commissary products to the inmates housed in the Roanoke City Jail. The Sheriff's Office receives a commission check from Swanson each month in the amount of 17.1% of Swanson's net commissary sales. The commission collected by the Sheriff's Office is deposited into the Canteen Fund checking account maintained at Wachovia Bank. Virginia Code §53.1-127.1 establishes the use of stores and specifies that the canteen funds must be used for goods and services that benefit inmates or the general inmate population. The canteen accounting records are maintained by the Sheriff's Office using the Quicken financial software package.

Swanson also provides an inmate banking software program, the necessary hardware, and technical support to the Sheriff's Office. The Inmate Banking software is used to

establish, account for, and manage monies in the Inmate Trust Funds. The Inmate Trust Funds consist of monies confiscated at the time of inmate incarceration, monies received by inmates on the work release program, or monies received from family and friends of the inmate. Inmates may use their funds to make purchases from Swanson, to pay medical co-payments, or they may request payments be made to family and friends. Any excess monies in an inmate's account are returned to the inmate upon release from the facility. Inmate Trust Funds are kept in a dedicated checking account maintained by First Citizens Bank.

The jail also collects certain other commissions and fees. The jail receives telephone commissions from Verizon that are based on the inmates' phone usage. The jail also receives medical co-payments from inmates for medical services and prescription medication provided to the inmates. Both the telephone commissions and the medical co-payments are deposited with the City Treasurer and accounted for in the city's general fund. The State Auditor of Public Accounts suggests that medical co-payments should be used to defray the medical program costs.

SCOPE

We tested compliance with certain laws and regulations, obtained an understanding of internal controls, and assessed control risk. Our examination included transactions and cash balances for the 12 month period ended June 30, 2004, for the Canteen and Inmate funds. We previously audited the 12 month period ended June 30, 2003, in July 2003.

METHODOLOGY

We conducted this audit using standard auditing procedures for evaluating transactions. This included performing a study of the system of internal controls to the extent necessary to plan our test work. This involved interviewing Roanoke City Sheriff's Office personnel and reviewing applicable policies and procedures used to process transactions. We then performed detailed testing of the receipts and invoices that comprise the cash activity reported. Sampling was performed on a non-statistical basis due to data configuration and accessibility.

REQUIRED COMMUNICATIONS

System of Internal Controls

The Sheriff's Office is responsible for establishing and maintaining a system of internal controls. In fulfilling this responsibility, judgments by management are required to assess the expected benefits and related costs of control procedures. The objective of a system of internal controls is to provide the Sheriff's Office with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with the Sheriff's authorization, and that transactions are accurately recorded.

As part of our examination, we made a study of the system of internal controls to the extent that we considered necessary to evaluate the system as required by government auditing standards. The purpose of our study was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the records of the Canteen and Inmate Funds administered by the Roanoke City Sheriff's Office.

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. A projection of any evaluation of internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation would not necessarily disclose all material weaknesses in the system of internal controls. Accordingly, we do not express an opinion on the system of internal controls.

Compliance with Laws and Regulations

Compliance with laws and regulations applicable to the Canteen and Inmate Funds is the responsibility of the Sheriff. As part of obtaining reasonable assurance about whether the Canteen and Inmate Funds financial records are free of material misstatement, we performed tests to verify compliance with certain provisions of laws and regulations by the Roanoke City Sheriff's Office. Laws and regulations tested include compliance with Code of Virginia and the Virginia Sheriff's Accounting Manual. Our objective was not to provide an opinion on overall compliance with applicable laws and regulations. Accordingly, we do not express such an opinion.

RESULTS

We reviewed canteen expenditures to ensure that proper purchasing procedures were applied, and that the expenditures benefited the general inmate population. We vouched each selected expenditure to a vendor invoice to verify that the proper amount was paid, the expenditure was paid in a timely manner, and that the invoice was properly canceled.

Additionally, we scanned the complete listing of canteen expenditures for unusual expenditures and noted none. We selected a sample of fixed assets purchased and physically inspected the assets to confirm asset existence. We confirmed the Canteen Fund June 30, 2004, cash balance directly with the bank and completed a proof of cash.

We verified the accuracy of Swanson's calculation of the commission due to the Roanoke City Sheriff's Office and verified that the related deposits were properly made by the Sheriff's Office.

We confirmed the Inmate Fund cash balance of \$52,985 with the bank. We verified deposits to inmate accounts were proper by verifying opening balance deposits agreed to inmate property sheets. We also verified that deposits to the bank were properly made in a timely manner. We vouched a sample of inmate initiated withdrawals to

ensure that they were properly posted to the inmates' accounts. We tested transactions related to inmate work release to verify that the jail collected the proper amounts from inmates' accounts as specified in the court approved work release agreements. As part of a typical work release agreement, the inmate agrees to pay specified court fees and some portion of his or her boarding costs. We vouched a sample of transactions from the medical co-payments account to verify that the expenditures were allowable per the audit specifications provided by the State Auditor of Public Accounts. We also verified that funds collected for work release, telephone commissions, and medical co-payments were deposited with the City Treasurer in a timely manner.

CONCLUSION

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash transactions of the canteen fund for the Roanoke City Sheriff's Office for the 12 month periods ended June 30, 2004 and June 30, 2003.

We would like to thank the Sheriff and his staff for their help and cooperation during the audit.

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Municipal Auditor

City of Roanoke - Sheriff's Office
Canteen Fund
Comparative Statement of Changes in Cash Balances

	For 12-Months Ended June 30, 2004	(Previously Audited) For 12-Months Ended June 30, 2003	Change from Prior Year	
			\$	%
Receipts:				
Sales Commissions	121,363	121,098	265	0%
Total Receipts	121,363	121,098	265	0%
Disbursements:				
Inmate Benefit	122,074	108,406	13,668	13%
Bank Charges	-	-	0	0%
Total Disbursements	122,074	108,406	13,668	13%
Increase (Decrease) in Cash:	(711)	12,692	(13,403)	-106%
Add: Beginning Cash Balance	107,787	95,095	12,692	13%
Ending Cash Balance	107,076	107,787	(711)	-1%

**City of Roanoke - Sheriff's Office
Canteen Fund
Operating Statement for Canteen**

	For 12-Months Ended June 30, 2004	(Previously Audited) For 12-Months Ended June 30, 2003	Change from Prior Year	
			\$	%
SALES:				
Sales Commissions	121,363	121,098	265	0.2%
Total Sales	121,363	121,098	265	0.2%
COST OF GOODS SOLD:				
Beginning Inventory	-	-	-	0.0%
Add: Purchases	-	-	-	0.0%
Less: Ending Inventory	-	-	-	0.0%
COGS:	-	-	-	0.0%
OPERATING PROFIT (LOSS)	121,363	121,098	265	0.2%

CITY OF ROANOKE - SHERIFF'S OFFICE
Canteen Fund
Notes to Financial Statements
Year Ending June 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Canteen Fund monies are composed of the commissions received from Swanson Services Corporation. The commissions received are 17.1% of the net commissary sales to inmates. These monies must be expended to benefit jail inmates or the general inmate population.

Basis of Presentation:

The Sheriff's office maintains its financial records in accordance with the cash receipts and disbursements method of accounting. Revenue from all sources is recognized when actually or constructively received. Likewise, expenses are recognized when actually paid. Accordingly, there is no recognition of accounts receivable, accounts payable, property and equipment, depreciation, or accruals.